



# POLICE AND FIRE RETIREMENT SYSTEM OF SPRINGFIELD, MO

840 Boonville  
Springfield, Missouri 65801  
Voice Mail (417) 831-8901  
Box Number 44140

## Minutes September 10, 2009

### 1. Call to Order

Homan called the meeting to order at 8:35 a.m. Minutes taken by White.

#### Attendance

Members	Representation	Present	Absent
Ken Homan	Chairman	X	
Beau Barrett	Citizen	X	
David Carter	Fire	X	
Jim Edwards	Police	X	
Steve Fenner	Citizen	X	
David Hall	Fire		X
Ron Hoffman	Retiree	X	
Evelyn Honea	Deputy City Manager		X
Sheila Maerz	Human Resources		X
Mary Mannix-Decker	Finance	X	
Jim McCulloch	Police	X	
Cindy Rushefsky (NV)	City Council Liaison	X	
Dan Wichmer (NV)	Law		X
Nikki White (NV)	Secretary	X	

NV = Non-voting

### 2. Approval Meeting Minutes – August 13, 2009 (open session)

Homan stated that the minutes from the open session from August 13, 2009 required the board's approval. Homan asked for a motion to approve the open session minutes for August 13, 2009 minutes as presented. Motion made by Hoffman; 2<sup>nd</sup> by Fenner. Vote all: Yes.

### 3. Approval of Financial Statement Ending July 31, 2009

Homan asked Mannix-Decker to review the July financial statement.

Mannix-Decker distributed a revised Statement of Plan Net Assets due to a change that was made after the financials were mailed to the board. She reported on the following items of interest:

- Net Assets were \$117,592,471 which is up \$4,981,952 from June.
- Cash is going down as expected due to transferring cash out every month for the reinvestment of Pictet and SSgA. Current cash is \$7,650,446.
- Brandywine outperformed the index and is up \$562,859.
- Galliard outperformed the index and is up \$636,337.

*Nikki White*

- Pictet shows an increase of \$2,285,434 of which \$1.2 million is cash that's been transferred into Pictet.
- Wilshire 5000 SL Fund is down \$4,750,113 due to the funds being transferred into the Wilshire 5000 NL Fund which currently stands at \$9,082,226.
- Total Contributions were \$820,035.
- Donations of \$5,800.
- Other Revenue of \$3,625.
- Management fees totaled \$13,447.
- Net investment income was \$5,755,480 and total additions were \$6,571,493.
- Refund of contributions totaled \$231,876 and administrative expenses were \$8,190.

Mannix-Decker informed the board that the audit is complete. The draft statement has been provided to Milliman to complete the actuarial evaluation. She stated that the work should be completed by the middle of October. Homan thought that the deadlines had been moved up to the middle of September. Mannix-Decker said she would confirm the timeline.

Homan stated that in reviewing the individual managers each one beat its index for the month and this has been the case for several months. He added that commercial real estate remains bleak and the 3<sup>rd</sup> quarter report is expected to not be favorable.

Homan asked for a motion to approve the financials for July 31, 2009. Motion by Carter; 2<sup>nd</sup> by Edwards. Vote all: Yes.

#### 4. Review of Applications

John Harris	Surviving Spouse	Fire
Max Long	Surviving Spouse	Police

John Harris' calculation was approved at the August meeting pending receipt of the application, death certificate and marriage license. All items have now been received.

#### 6. Review of Retirement Calculations

##### Surviving Spouse

Name	Years of Service	Monthly Pension Amount	Partial Pension Amount	Survivor's Partial Pension Amount	Survivor's Pension Amount
Max Long	19.15	\$2,913.27	\$2,161.46	\$480.08	\$1,860.29

Homan asked for a motion to approve the surviving spouse application for Long. Motion by McCulloch; 2<sup>nd</sup> by Barrett. Vote all: Yes.

#### 7. Old Business

##### a. Converting Pension System hard files to digital form.

White informed the board that the print shop has completed the scanning of the actuarial reports and other annual statements. The board voted last month to post the past actuarial statements as they become available. It was questioned if there was a rule on how long the files were kept after a retiree's

death. McCulloch stated that he thought the board decided at the August meeting to follow the City's document retention procedure. Homan agreed. White said there are currently only a couple of file drawers with inactive retirees. There are six cabinets total. Three are for active retirees and active employees. The others have financial information, investment reports, minutes, etc.

#### b. MAPERS Conference Update

Homan asked the board members present if they had anything to report from attending the conference.

Homan stated that from an investment stand point the speakers were fairly consistent in that we are coming out of a recession and the next 12 months will probably be a pretty good breeding ground for good market returns again. However we still have to pay the bill for the stimulus or at least have confidence that the economic system and not only the U.S. but the other developed economies will be able to manage the large amount of liquidity that has been put into the system. There's certainly a prospect three to four years down the line and further that we might have increased interest rates being in an environment similar to the 1970's and 1980's. Homan continued by saying that over the next 12 months we can expect to have good returns. The pension fund has already had considerable rebound from March. Other developed countries overseas are already out of the recession and are in a growth period. That's always a good environment for equities in particular.

Rushefsky asked if any of the speakers talked about the sustainability of the rebound. She thinks a lot of what we are seeing is that companies have pulled back so much that they are seeing profitability at this point, but because they're not anywhere near where they were she just wonders how sustainable they will be in the long haul. Homan replied that the increasing profits that have supported this market so far are not new sales or increasing revenues. Hoffman added that one speaker stated that on the unemployment side we are looking at a three year rebound. Profit maybe being created, but we aren't creating jobs which is a real hit to the economy somewhere along the line. He added that we aren't seeing construction and there aren't even blueprints out on the table. Homan said this is typical of the cycle. Initially you get a rebound and have four to five quarters where the P.E.'s expand and get back up to average or above and then the earnings catch up after. He added that the speakers and others he has talked to concur that we will have a 1-2% growth for the foreseeable future. Unemployment is the last thing to go down typically, but will probably lag even more this time. He continued by saying that we will not be back to where we were in October of 2007 overnight or even in one to two years. It will be a slow process to get back there.

#### c. Scheduling of Disability Reexaminations.

Homan first updated the board on the income verification process. The second round of letters has been sent and they have been given a deadline of the end of September to respond. The board's policy does require a review of those numbers and it also goes to the City Attorney to take steps if more information is needed and has not been provided. The board will approve those of whom we are going to get something back from and those whose disability checks are cut. The board will look at the numbers and confirm which ones the board asks and what amount back from. He added that there is some discussion as to how public the process should be or if it should be something handled in closed session when reviewing the individuals and their current income as well as the adjusted amount. He asked if anyone had an opinion on how that should be handled. Homan added that there is no need to reveal the source of income, but the amount of the income and the adjustment is something that will have to be considered according to the board's new policy. Rushefsky said that it seems to her that the outcome in terms of what the board adjusts in their public income and the money they made working

for the City is public, but to the extent that the board is adjusting based on other incomes is private information. She thinks the adjustment process needs to be closed, but the final outcome in terms of how the board adjusts their pension income needs to be public. Carter agreed. Homan stated that the adjustment would reveal the private income. Rushefsky said the board doesn't have any way of avoiding that, but what they get from the Pension Board is public information. She thinks anything they get from private sources needs to be confidential. Homan stated that the adjustment would need to be confidential as well. Rushefsky suggested talking to Sheppard about the process.

Homan reminded the board that there is a requirement to conduct disability reexaminations. The board has the ability to reexamine those who are on disability payments up to the age of 50. He said information on those retirees such as duty or non-duty, date of birth, retirement date, etc. is currently being collected. Initial reports indicate that there are approximately 30 or so retirees that are under 50 years of age. He added that the board will try to make some determination as to the permanency and in some cases he's sure it's not even worthwhile to go to the expense. He doesn't yet know if the board makes that determination from the file or other information the City may have.

Hoffman stated that the way they were handled before was the board members were familiar with the cases so you can kind of narrow them down that way. The ones that are questionable or ones that haven't been seen for quite some time they were usually sent to be reexamined, but in most cases the board will know the people and have seen them recently. They would move forward with the marginal cases. Hoffman added that they usually went to one doctor and they determined whether the condition was different and if they are able to return to work. If they are determined able to go back to work then they were sent for a major physical process as well as the rehire process. The nurse practitioner will evaluate if the individual's capabilities are greater than when they left and if they are able to perform the job functions. He added that some have been brought back to work.

Rushefsky asked what happens if there aren't any positions available if someone is determined capable of working again. Hoffman said the plan says they will have to return to work. They will no longer be drawing a pension. Rushefsky questioned that the City currently has fewer positions and would have to potentially fill the positions with marginal people. Hoffman said there are cases where some that have been granted a disability were marginal and may have gotten better. He doesn't know that we've ever been in a position before when there was no place for these people to go. Rushefsky stated that it's a reality that what if we had to kick out somebody who's in their prime and replace them with somebody who's toward the end of their career and maybe not feeling all that great. Hoffman said we would be obligated to rehire them if they are found not to be disabled anymore. Rushefsky feels all of this needs to be considered as a part of the evaluation process.

Wichmer entered the room at 9:05 a.m.

Carter stated that the rumor he hears in the stations is that people who have been called back to work cost the fund more in the end because they go out under an age and service retirement. Hoffman added that all of those who were brought back to work have already gone out on pension again. Homan said the board doesn't have the flexibility to make that judgment call. If they are able then we have to go through the process. Rushefsky reiterated that the board needs to be looking at this and if there's something that can be changed then it needs to be addressed. Edwards asked if they come back as a new recruit or at the rank they held prior to disability. He added that if the department is full on sergeants and all of a sudden three are called back then what is done? He said of course that decision is up the City. Rushefsky added that in times like these this is a real issue and it needs to be dealt with. Fenner asked if they get credit for the time they are on disability. Hoffman said yes.

Hoffman said it appears to him that they would have to go back to work if determined able to do so. They can't continue to draw a pension. Homan read aloud 2-475 pertaining to Pension Board examinations. Fenner stated that he knows of people receiving disability payments who live in Indonesia. He questioned whether they would have to come back to Springfield for reexamination. Hoffman said yes. It is their responsibility to do so when they are called back. He said this has happened in the past and they must comply.

Edwards said if there is a five-year employee that goes out on duty-disability and it's 15 years before he gets called back to work he only has to work five years and then he goes out with an age and service pension. Homan said that is correct and that's what can happen to the detriment of the fund and has been known to happen, but he doesn't know that the board has the flexibility to change that. It is stated that the board may require an annual examination so there is some flexibility as to whether the board does or does not require an examination. Homan confirmed that he counts 32 on the list that are under the age of 50 and only three are non-duty disabilities.

Hoffman read 2-476 which states that the individual shall be restored to active service and disability pension shall cease. He shall again become an employee of the police department or fire department and he shall be computed thereafter at the same rate prior to his disability. He also confirmed that 2-475 states that two doctor examinations are required. Hoffman said the evaluations can be done every year, but they don't have to be. He added that there have been cases that they have been conducted each year when a case comes back marginal. Rushefsky said that from a cost benefit standpoint that the board needs to analyze the list and decide whether whatever we save by taking them off a disability is going to be more than taken up by the cost of the departments other ways. She doesn't think the board should be making this a general policy to do them every two or four years at this point unless there is reason to think that they are capable of coming back to work and doing the job effectively. She thinks the board would end up spending more money.

Homan said he thinks the board needs to take away some of the discretions in the disability area. He said this has been the main area of criticism going even past conflicts especially given that the board hasn't had any reexaminations for at least the 3 ½ years since he's been on the board. He said of the 32 people, unless they can be crossed off since they are obviously permanently disabled, they go through the reexamination process over the next year or two. Hoffman said this is something that was done every year during the time he was chairman. He agrees that it hasn't been done lately, but it was certainly done in the past. He said in the past they would look at the list and select those that were marginal. Obviously they didn't want to spend money on someone's physical when it was obvious that they couldn't perform. He is of the opinion that if a citizen reported that someone didn't appear to be disabled then to keep things objective that was considered a trigger for an examination. Any time Hoffman got one of those complaints he scheduled an examination to let the doctors determine if the person is still disabled. He said if the doctors say that a person is fitting to do the job then the board has to assume that they can. The issue is not whether they can do it as well as a 25-year-old. Hoffman added that Klausner made a lot of suggestions and one of them was that the board really has to look at everybody and so they did. He said the firemen came back to work, but the police officers did not and it triggered a lawsuit. He went on to say that some come back and are given a better deal with return of contributions and current benefits. He added that sometimes you shoot yourself in the foot, but the board has to have good objectivity and can't be situational. He's not sure what is out there now, but he knows there have been some pretty severe disabilities. They most likely won't be hired back, but that has to be put to bed. The results must be documented so it won't be brought up again. He said we get a lot of complaints and the board needs to do what it is supposed to do and follow up with the way the ordinance is written.

Rushefsky said the reality is that no matter what the board does there's going to be complaints. That's a given so the board needs to look at what makes sense in the situation that we are in. Barrett added that the board needs to remember what its charge is and what makes sense within the charge as the board. He realizes that depending on the situation you are coming from to your position on the board you are almost juggling two hats because you are looking at the big picture. He added that as a board we have a particular charge and the conclusion may not be the most practical result, but we still have to do what we are charged to do and we have to take the emotion out of it. You may consider those factors on the outside, but they may not override what the ordinance or our charge says we should do or recommend. Barrett added that City Council or the City Manager's office may have a different view or the final say on it, but he thinks the board needs to be really careful about thinking big picture and getting beyond the charge of the board and what the ordinance says the board has the ability to do. He thinks one of the criticisms that the public has is whether the board is a functioning body doing what it charge is or are they getting outside of that and getting the influence of other interests. Rushefsky agreed and that's why she asked if the language was mandatory or discretionary. She thinks if it is discretionary then the board has to look at the cost benefit analysis and what it will cost the pension fund if yearly reexaminations are required versus doing them when there's reason to believe that there may be an issue. All of those things go into what is it going to cost the fund and ultimately the City. She said the board is still answerable to Council and that's why she is here. Ultimately Council is going to have to make the trade off. At the very least the board needs to be looking at a cost benefit analysis in terms of how the board implements the ordinance. Barrett agreed as far as cost and how it affects the plan, it's just how we let the cost to the City, although an important factor, influence how the board makes a decision.

Carter stated that is the whole may vs. shall argument. He said the board has been down that road before with funding. Its wide open with what the board can and cannot do. He agrees with most of what has been said, but the ordinance still says may and that leaves it wide open to consider everything. It makes no sense to him to spend more money to satisfy a perceived problem by the public. Since he has been on the board he hasn't seen any disability voted on that wasn't correct. Homan said that neither has he. Homan added that he has seen on the record comments from board members in the past that there have been some things and there's a perception out there. This is a requirement that needs to be addressed and it hasn't been done in recent years. Carter added that the board may want to work in the income verification. He said if we get a tax return back and whatever line of duty the retiree is getting other income from closely resembles what they were doing here should be a red flag. Homan doesn't see the board adopting a policy to do annual reexaminations, but doing them often enough to catch people who recover from a disability is what we are after. He also thinks the board has to consider that we don't want to just have a marginal person that maybe has recovered enough to do the job and he gets in there just long enough to reset his age and service. Hoffman added that City Council has to weigh this out and decide if an ordinance change is needed. Hoffman stated that as a trustee of the system the ordinance language is all he has to work with and it says that if the medical people say a person can work then they won't get a disability pension and they are to be rehired. He questioned how we determine marginal because we can only go by the medical opinion and trust it. He added that if the reexaminations are done then that puts out the fire of the citizens who find a policeman or firefighter that they think should be working.

Homan stated that we will take the 32 names and research their files and see if there's any evidence there that it's a permanent disability and follow up that to some extent whether it's just asking them for a note from their physician to give the board a leg to stand on. This will screen off a few of the names and then he thinks all those remaining have to be asked back for reexamination over some

period of time. He's not saying that the board needs to go to the expense of doing it all over the next year, but maybe over three years depending on the number of retirees. Rushefsky thinks policies and procedures need to be developed and if the board thinks it is not feasible because of other factors then she thinks that needs to be addressed with Council for a possible revision. Carter said the process just needs to be taken step by step.

Homan asked for a motion to move to closed session at 9:35 a.m. Motion by Carter. 2<sup>nd</sup> by Edwards. Vote all: Yes.

Open session resumed at 11:25 a.m.

#### 10. Adjournment

Homan asked for a motion to adjourn the meeting. Motion by Hoffman; 2<sup>nd</sup> by Fenner. Vote all: Yes.

The meeting was adjourned at 11:25 a.m. on September 10, 2009.